



1031 CORP.  
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Re: IRC Section 1031 Tax-Deferred Exchanges

Dear Chairman Camp, Ranking Member Levin, Representative Gerlach and Representative Sanchez:

I am the owner of a small company specializing in the facilitation of exchanges under IRC §1031. I work primarily with individual investors and owners of small and medium size businesses.

Every day, I see how taxpayers benefit from their exchange transaction and the opportunities it creates for their businesses. I recently facilitated an exchange for a Philadelphia, PA based company that allowed them to exchange a crane for one that was larger which allowed the company to bid on jobs that were outside their reach with their older crane. This was also a win-win for Philadelphia, Pennsylvania and also the federal government as this would lead to higher local, state and federal taxes as a result of their increased revenue.

Another example involves a company in Chester County, Pennsylvania where a printing company was able to exchange an older printer press for a new, faster press as well as related equipment that would allow them to offer additional services. In both examples, the owners were able to purchase brand new equipment and hoped the new equipment would also create additional jobs.

Section 1031 provides a deferral benefit that permits efficient use of capital to preserve and manage cash flow, encouraging U.S. businesses to reinvest in their domestic businesses, rather than offshoring business activity. It is not a tax savings or avoidance vehicle. At some point, the tax does get paid. Payment of tax occurs 1) upon sale of the replacement asset, or 2) incrementally, through increased income tax due to foregone depreciation, or 3) by inclusion in a decedent's taxable estate, at which time the value of the replacement asset could be subject to estate tax at a rate more than double the capital gains tax rate.

In short, this section of the Code is fair and it is working well for a broad spectrum of taxpayers at all levels, in all lines of business, including individuals, partnerships, limited liability companies and corporations.

Section 1031 tax-deferred exchanges provide a vital stimulant to our economy, fueling transactions that create and fuel jobs. Section 1031 provides significant benefits to



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taxpayers of all sizes with a “trickle down, spillover” economic stimulus effect on a myriad of industries and small businesses across the country. Economic policy efforts focus on encouraging investment in productive assets, encouraging additional borrowing by qualified investors, increasing the velocity of transactions, redeploying underutilized or idle assets, and discouraging fearful contraction and cash hoarding. Section 1031 encourages growth by mandating reinvestment in like-kind assets, increasing job growth and ordinary income generated by additional capital investment, discouraging the hoarding of capital and penalizing profit taking by taxing value taken out of the economy. ***Section 1031 not only encourages reinvestment over profit taking, it provides a strong incentive to keep that investment at home, in the United States.***

If you have any questions, or wish to discuss any of these matters, please contact any of us.

Best regards,



Margo McDonnell  
President